

LYON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

June 30, 2011

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-18
Basic Financial Statements:	<u>Exhibit</u> 19
Government-Wide Financial Statements:	
Statement of Net Assets	A 20-21
Statement of Activities	B 23
Governmental Fund Financial Statements:	
Balance Sheet	C 24-25
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Assets	D 27
Statement of Revenues, Expenditures and Changes in	
Fund Balances	E 28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances – Governmental Funds to the Statement of Activities	F 30
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 31
Statement of Revenues, Expenses and Changes in	
Fund Net Assets	H 32
Statement of Cash Flows	I 33
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 34
Notes to Financial Statements	35-55
Required Supplementary Information:	57
Budgetary Comparison Schedule of Receipts, Disbursements and Changes	
in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	58
Budget to GAAP Reconciliation	59
Notes to Required Supplementary Information – Budgetary Reporting	60
Schedule of Funding Progress for the Retiree Health Plan	61
Other Supplementary Information:	<u>Schedule</u> 63
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 64-65
Combining Schedule of Revenues, Expenditures	
and Changes in Fund Balances	2 66-67
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 68-69
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 70-71
Schedule of Revenues by Source and Expenditures by Function –	
All Governmental Funds	5 73
Schedule of Expenditures of Federal Awards	6 74
Independent Auditor's Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	79-80
Independent Auditor's Report on Compliance with Requirements That Could	
Have a Direct and Material Effect on the Major Program and on Internal	
Control over Compliance in Accordance with OMB Circular A-133	83-84
Schedule of Findings and Questioned Costs	86-100
Staff	101

LYON COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
(Before January 2011)		
Randy Bosch	Board of Supervisors	December 31, 2010
Craig Block	Board of Supervisors	December 31, 2010
Steve Michael	Board of Supervisors	December 31, 2010
Mike Modder	Board of Supervisors	December 31, 2012
Merle Koedam	Board of Supervisors	December 31, 2012
Richard Heidloff	County Treasurer	December 31, 2010
Eldon Kruse	County Recorder	December 31, 2010
Carl Petersen	County Attorney	December 31, 2010
Blythe Bloemendaal	County Sheriff	December 31, 2012
Wayne Grooters	County Auditor	December 31, 2012
Fred Christians	County Assessor	December 31, 2015
Lisa Rockhill	County Central Point Coordinator	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	Indefinite
Sheryl Boeve	County Health Services Administrator	Indefinite
Steve Simons	County Economic Development Director	Indefinite
(Beginning January 2011)		
Mike Modder	Board of Supervisors	December 31, 2012
Merle Koedam	Board of Supervisors	December 31, 2012
Randy Bosch	Board of Supervisors	December 31, 2014
Kirk Peters	Board of Supervisors	December 31, 2014
Steve Michael	Board of Supervisors	December 31, 2014
Blythe Bloemendaal	County Sheriff	December 31, 2012
Wayne Grooters	County Auditor	December 31, 2012
Richard Heidloff	County Treasurer	December 31, 2014
Eldon Kruse	County Recorder	December 31, 2014
Carl Petersen	County Attorney	December 31, 2014
Fred Christians	County Assessor	December 31, 2015
Lisa Rockhill	County Central Point Coordinator	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	May 29, 2012
Sheryl Boeve	County Health Services Administrator	Indefinite
Steve Simons	County Economic Development Director	Indefinite

DE NOBLE & COMPANY PC

Certified Public Accountants

MEMBERS

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Independent Auditor's Report

To the Officials of Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Lyon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012 on our consideration of Lyon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 18 and 57 through 61 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six fiscal years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein). Siebrecht Spitler & De Noble PC expressed unqualified opinions on the fiscal year ended June 30, 2004 financial statements and expressed a qualified opinion on the fiscal year ended June 30, 2003 financial statements. Siebrecht Spitler & De Noble PC qualified their opinion for the fiscal year ended June 30, 2003 based on the fact they were unable to audit the financial statements supporting the financial activities of the Lyon County Conservation Foundation Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 25, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS

Lyon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FISCAL YEAR 2011 FINANCIAL HIGHLIGHTS

- The County's governmental fund revenues for fiscal year 2011 were \$13,261,896 compared to \$11,199,103 in fiscal year 2010, an increase of \$2,062,793, or 18.42%. Property and other county tax for fiscal year 2011 were \$4,876,829 compared to \$4,411,208 in fiscal year 2010, an increase of \$465,620, or 10.56%. All other revenues increased during fiscal year 2011 by \$88,841.
- Intergovernmental revenues for fiscal year 2011 were \$6,338,486 compared to \$5,191,837 in fiscal year 2010, an increase of \$1,146,649, or 22.09%. Miscellaneous revenues for fiscal year 2011 were \$421,700 compared to \$60,018 in fiscal year 2010, an increase of \$361,682, or 602.62%.
- The County's governmental fund expenditures for fiscal year 2011 were \$13,349,440 compared to \$10,268,073 in fiscal year 2010, an increase of \$3,081,367 or 30.01%. Expenditure function classifications with the largest increases were public safety and legal services (\$210,209 or 8.17%), mental health (\$101,170 or 10.04%), roads and transportation (\$1,609,764 or 47.00%) and capital projects (\$1,024,021 or 735.64%).
- The County's government-wide net assets for governmental activities for fiscal year 2011 were \$30,529,274 compared to \$29,165,338 in fiscal year 2010, an increase of \$1,363,936, or 4.68%.
- Revenues of the County's governmental activities increased by \$1,907,569, or 15.05%. The increase was due mainly to an increase in program revenues (\$1,366,918) and property and other county tax (\$465,620) for fiscal year 2011.
- Expenses of the County's governmental activities increased by \$2,521,514, or 23.56%. The largest increases were public safety and legal services (\$177,529), mental health (\$102,334), roads and transportation (\$1,247,303) and capital projects (\$966,449).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lyon County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lyon County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lyon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information further provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current activities, interest on long-term debt and non-program activities/small capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911, Emergency Management Services, County Assessor, and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Lyon County's combined net assets increased \$1,363,936 or 4.68% during this fiscal year. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

Net Assets of Governmental Activities		
	June 30, 2011	June 30, 2010
Current and Other Assets	\$ 14,515,126	\$ 13,303,016
Capital Assets	23,844,584	23,085,448

Total Assets	38,359,710	36,388,464
Other Liabilities	6,202,321	5,436,611
Long-Term Liabilities	1,628,115	1,786,515
Total Liabilities	7,830,436	7,223,126
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,500,940	21,539,982
Restricted	5,280,272	4,981,754
Unrestricted	2,748,062	2,643,602
Total Net Assets	\$ 30,529,274	\$ 29,165,338

The increase in current and other assets was due mainly to increases for succeeding year property tax and tax increment financing receivable, accounts receivable and due from other governments. Other liabilities increased as a result of a large increase in accounts and contracts payable and also an increase in deferred revenues. Long-term liabilities decreased due to payments made on existing long-term debt.

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$104,460, or 3.95%, during this fiscal year.

Changes in Net Assets of Governmental Activities		
	Year Ended June 30, 2011	Year Ended June 30, 2010
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,704,266	\$ 1,557,419
Operating Grants, Contributions and Restricted Interest	4,975,540	4,036,476
Capital Grants, Contributions and Restricted Interest	1,999,379	1,718,372
General Revenues:		
Property Tax Levied for:		
General Purposes	4,643,730	4,171,967
Debt Service	233,100	239,243
Tax Incremental Financing	34,573	28,097
Penalty and Interest on Property Tax	24,065	22,077
State Tax Credits	212,301	223,644
Local Option Sales Tax	506,401	461,496
Grants and Contributions not Restricted to Specific Purposes	11,982	34,428
Unrestricted Investment Earnings	131,207	134,442
Rents	37,454	48,064
Other General Revenues	72,605	24,657
Total Revenues	14,586,603	12,679,034

Program Expenses:

Public Safety and Legal Services	2,756,962	2,579,433
Physical Health and Social Services	784,264	773,132
Mental Health	1,105,677	1,003,343
County Environment and Education	757,937	770,919
Roads and Transportation	5,301,841	4,054,538
Governmental Services to Residents	415,803	410,717
Administration	916,930	906,103
Non-Program Current	105,742	28,097
Interest on Long-Term Debt	35,255	99,064
Capital Projects	1,042,256	75,807
Total Expenses	13,222,667	10,701,153
Increase in Net Assets	1,363,936	1,977,881
Net Assets Beginning of Year	29,165,338	27,187,457
Net Assets End of Year	\$ 30,529,274	\$ 29,165,338

Lyon County decreased the countywide property tax rate by 0.10134 per \$1,000 of valuation and kept the rural property tax rate the same. Taxable valuation by levy, actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	Taxes Levied Fiscal Year 2011 Audit Fiscal Year	Taxes Levied Fiscal Year 2010 Prior Fiscal Year
Countywide Taxable Valuation	\$ 588,931,440	\$ 533,205,168
Countywide Levy Rate Without Debt Service	5.31603	5.35855
Dollars Levied Without Debt	\$ 3,130,777	\$ 2,857,206
Countywide Taxable Valuation for Debt Service	\$ 606,553,674	\$ 546,288,981
Countywide Debt Service Levy	0.39592	0.45474
Dollars Levied for Debt Service	\$ 240,147	\$ 248,419
Total Countywide Levy Rate	5.71195	5.81329
Total Dollars Levied Countywide	\$ 3,370,924	\$ 3,105,625
Rural Taxable Valuation	\$ 431,053,746	\$ 394,351,034
Rural Service Tax Levy	3.75198	3.75198
Dollars Levied for Rural Area Only	\$ 1,617,305	\$ 1,479,597
Total Dollars Levied	\$ 4,988,229	\$ 4,585,222

*Note taxable valuation is value without Gas & Electric Utilities

Taxable Valuation History				
Fiscal Year	Based on January 1st values	Countywide Valuation	Debt Service Valuation	Rural Service Valuation
FY 2010/2011	January 1, 2009	588,931,440	606,553,674	431,053,746
FY 2009/2010	January 1, 2008	533,205,168	546,288,981	394,351,034
FY 2008/2009	January 1, 2007	504,398,243	515,882,898	371,879,575
FY 2007/2008	January 1, 2006	499,802,094	509,735,486	367,391,981
FY 2006/2007	January 1, 2005	492,338,833	501,828,733	359,466,942
FY 2005/2006	January 1, 2004	447,077,945	454,922,084	324,204,340
FY 2004/2005	January 1, 2003	442,415,580	450,267,510	321,739,429
FY 2003/2004	January 1, 2002	509,898,393	516,207,605	383,207,434
FY 2002/2003	January 1, 2001	501,029,153	505,341,538	376,294,755
FY 2001/2002	January 1, 2000	499,872,106	503,854,868	377,630,000
FY 2000/2001	January 1, 1999	482,739,583	486,234,877	363,003,857

- Lyon County's fiscal year 2011 countywide taxable valuation (without utilities) increased \$55,726,272 or 10.46% from fiscal year 2010; the debt service taxable valuation increased \$60,264,693 or 11.04% from fiscal year 2010; and the rural service valuation increased \$36,702,712 or 9.31% from fiscal year 2010.
- Taxable value is the property value used for computing property taxes. It is the fully assessed valuation reduced by any applicable tax abatement and statewide rollback factors. Residential, commercial and industrial property is based on fair market value and agricultural property are based on productivity and net earnings capacity value. Lyon County's valuations decreased sharply in fiscal year 2004/2005 due to the Iowa Department of Revenue's productivity formula on agricultural property. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. The data is updated every odd-numbered year using the past 5 years of data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property". Since the decrease in fiscal year 2004/2005, the County's taxable valuation has increased each fiscal year.
- Lyon County farmland sales prices continue to rise. Land has been selling anywhere from \$8,000 an acre to \$10,000 plus an acre; with an average sale at approximately \$8,300 an acre. This helped contribute to the increase in the rural service valuation.
- The amount of the costs financed by users (charges for services) increased by \$146,847, or 9.43%. The main increase in this type of revenue was generated by the public safety and legal services and the physical health and social services functions.
- Operating grants, contributions and restricted interest increased by \$939,064, or 23.26%. The main increase for this type of revenue was generated by the roads and transportation function while the increase was offset slightly by a decrease in the county environment and education function.

- Capital grants, contributions and restricted interest increased by \$281,007, or 16.35%. The public safety and legal services function decreased by \$35,322 and the roads and transportation function decreased by \$628,497 but the county environment and education function increased by \$944,826.
- Property and other county tax revenues increased by \$465,620, or 10.56% due to the increase in valuations as noted previously. All other general revenues increased by \$75,031, or 7.85%.
- Expenses of the County's governmental activities increased by \$2,521,514, or 23.56%. The largest increases were public safety and legal services (\$177,529), mental health (\$102,334), roads and transportation (\$1,247,303) and capital projects (\$966,449).

INDIVIDUAL MAJOR FUND ANALYSIS

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed fiscal year 2011, its Governmental Funds reported a combined fund balance of \$6,228,892. This is in comparison to last fiscal year when the combined fund balance was \$6,312,558. This is a decrease of \$83,666 from last year, or 1.33%. The following are the major reasons for the changes in fund balances of the major Governmental Funds from the prior year.

- **GENERAL BASIC FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The General Basic Fund ending fund balance was \$1,157,408. This is in comparison to last fiscal year when the fund balance was \$1,304,328. This is a decrease of \$146,920 from last year, or 11.26%. For fiscal year 2011, expenditures totaled \$4,992,936 (fiscal year 2010 = \$3,635,264), an increase of \$1,357,672 or 37.35%; operating transfers out totaled \$65,000 (fiscal year 2010 = \$0), an increase of \$65,000, or 100%; and revenues totaled \$4,911,016 (fiscal year 2010 = \$3,680,077), an increase of \$1,230,939, or 33.45%. The levy for fiscal year 2011 was 3.50000 (fiscal year 2010 = 3.50000); the maximum amount allowed by law is 3.50000.
 - Current property tax revenues increased due to an increase in valuations.
 - Intergovernmental and miscellaneous revenues had the largest increases during the fiscal year. Intergovernmental revenues increased due to CDBG flowthrough money for a Lyon County business and State of Iowa funding received for road widening and turning lanes for Highway 9. Miscellaneous revenues increased due to insurance proceeds and a donation from a Lyon County business for the Highway 9 project mentioned previously.
 - Expenditures increased mainly in the following functions: public safety and legal services (primarily due to emergency services and the purchase of an ambulance), administration (an increase in central services costs), non-program current (CDBG flowthrough money for a Lyon County business) and capital projects (Highway 9 roadway widening and turning lanes project).
 - There was no transfer to the Secondary Road Fund from General Basic during the fiscal year but there was a transfer to the Economic Development Fund in the amount of \$65,000.

- **GENERAL SUPPLEMENTAL FUND:** The General Supplemental Fund is used when the basic levy is not sufficient to meet the county's needs. Expenditures the board may certify for this fund are listed in Iowa Code Section 331.424. For fiscal year 2011, Lyon County used the General Supplemental Fund for the cost of health insurance and property insurance. The General Supplemental Fund ending fund balance was \$395,379. This is in comparison to last fiscal year when the fund balance was \$323,122. This is an increase of \$72,257 from last year, or 22.37%. For fiscal year 2011, expenditures totaled \$763,856 (fiscal year 2010 = \$742,933), an increase of \$20,923, or 2.80%, and revenues totaled \$836,113 (fiscal year 2010 = \$756,031), an increase of \$80,082 or 10.59%. The levy for fiscal year 2011 was 1.40000 (fiscal year 2010 = 1.40000).
 - Current property tax revenues increased due to an increase in valuations.
 - Expenditures increased slightly due to the cost of self-funding health insurance increasing approximately 2%.

- **MENTAL HEALTH FUND:** The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The Mental Health ending fund balance was \$119,454. This is in comparison to last fiscal year when the fund balance was \$152,088. This is a decrease of \$32,634 from last year, or 21.46%. For fiscal year 2011, expenditures totaled \$1,108,429 (fiscal year 2010 = \$1,007,259), an increase of \$101,170, or 10.04%, and revenues totaled \$1,075,795 (fiscal year 2010 = \$983,045), an increase of \$92,750, or 9.44%. The levy for fiscal year 2011 was 0.41603 (fiscal year 2010 = 0.45435).
 - The increase in revenue was mainly due to receiving more in community services funds and the allowance growth factor funds from the State of Iowa.
 - The increase in expenditures was due to an increase in service costs and a cash infusion of \$52,000 to a provider of services to Lyon County (Seasons Center).
 - Lyon County entered into a 28E Agreement with Osceola County in fiscal year 2004 to share a Central Point Coordinator. The 28E Agreement continues in fiscal year 2011 with Osceola County currently paying Lyon County 1/3 of the CPC salary including IPERS and FICA.

- **RURAL SERVICES FUND:** The Rural Service Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road services, but excluding services financed by other statutory funds. The Rural Service ending fund balance was \$803,818. This is in comparison to last fiscal year when the fund balance was \$696,906. This is an increase of \$106,912 from last year or 15.34%. For fiscal year 2011, expenditures totaled \$879,599 (fiscal year 2010 = \$923,600), a decrease over last year of \$44,001, or 4.76%; operating transfers out totaled \$1,375,565 (fiscal year 2010 = \$1,200,867), an increase of \$174,698, or 14.55%, and revenues totaled \$2,362,076 (fiscal year 2010 = \$2,152,241), an increase over last year of \$209,835, or 9.75%. The levy for fiscal year 2011 was 3.75198 (fiscal year 2010 = 3.75198). The maximum allowed by law is 3.95000.
 - Beside tax dollars collected, local option sales tax is the other major revenue source that is deposited in this fund to reduce property taxes. Major expenditures in this fund are law enforcement patrol, libraries support, zoning and environmental/sanitarian.

- Current property tax revenues increased due to an increase in valuations.
 - Expenditures decreased in the county environment and education function due to the payment of economic development dues are now treated as an operating transfer due to the County completely taking over the economic development funding for the economic development office.
 - Rural Services transferred \$65,000 to the Economic Development Fund in fiscal year 2011.
 - Rural Service transferred \$1,310,565 to the Secondary Roads Fund in fiscal year 2011 (maximum allowed by Iowa Code Section 331.429(b)) and \$1,200,867 in fiscal year 2010.
- **SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Secondary Roads ending fund balance was \$3,481,136. This is in comparison to last fiscal year when the fund balance was \$3,578,042. This is a decrease of \$96,906 from last year, or 2.70%. For fiscal year 2011, expenditures totaled \$5,080,060 (fiscal year 2010 = \$3,514,174), an increase from last year of \$1,565,886, or 44.56%; revenues totaled \$3,668,711 (fiscal year 2010 = \$3,105,153), an increase of \$563,558, or 18.15%; transfers received totaled \$1,310,565 (fiscal year 2010 = \$1,200,867), an increase of \$109,698, or 9.14%; and sale of capital assets totaled \$3,878 (fiscal year 2010 = \$ 4,040), a decrease of \$162, or 4.01%.
 - Expenditures in the bridges and culverts area increased by \$217,818 due to mudjacking, bridge repairs and work on a span bridge.
 - Expenditures in the roads area increased by \$775,838 due to crack sealing, slurry leveling, chip seal, nuvo gap repair and slope repair.
 - Expenditures in the new equipment increased by \$355,627 due mainly to the purchase of a new 160M Motorgrader AWD.
 - Expenditures in equipment operations increased by \$67,283 due mainly to rising fuel costs.
 - Revenues increased due to more money received in road use tax funding and the receipt of I-JOBS funding from the State of Iowa.
- **DEBT SERVICE FUND:** The Debt Service Fund is used to account for property tax and other revenue designed to retire debt. The Debt Service Fund pays for the interest and principal due on the Law Enforcement Center general obligation bonds. The Debt Service Fund ending fund balance was \$15,332. This is in comparison to last fiscal year when the fund balance was \$14,066. This is a \$1,266 increase from last year, or 9.00%. For fiscal year 2011, expenditures totaled \$242,866 (fiscal year 2010 = \$279,673), a decrease from last year of \$36,807, or 13.16%, and revenues totaled \$244,132 (fiscal year 2010 = \$256,606), a decrease from last year of \$12,274, or 4.78%. Lyon County refinanced their general obligation bond in FY 2009/2010 to receive lower interest rates. Activity for fiscal year 2010/2011 was as follows: tax collection and credits of \$243,319, interest income of \$813, principal payment of \$200,000, interest payments of \$42,416, and bond administration fees of \$450.
- **OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include REAP, County Recorder's Records Management, County Tax Increment Financing, Sheriff's Asset Forfeiture, CS Projects & Land Acquisition Trust, Well Closing Trust, Economic Development, County Attorney Incentive and Revolving Loans – Development Projects are classified as non-major Special Revenue Funds.

The Economic Development Fund helps to accomplish Lyon County's public purpose, which is to aggressively promote economic development with an economic development director. The Revolving Loans- Development Projects Fund was created during the fiscal year 2011 to help provide a funding mechanism for the expansion of business in Lyon County. The CS Projects and Conservation Land Acquisition Trust Fund allow the Conservation department to do projects at its parks and to buy land for conservation purposes.

Budgetary Highlights

In accordance with Iowa Code Section 331.434, the Board of Supervisors annually adopt a budget following required public notice and hearing for all funds, except Internal Service and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Over the course of the year, Lyon County amended its budget two times. The first amendment was adopted October 18, 2010 and resulted in an increase in budgeted disbursements and transfers out of \$3,562,306. Reasons for this amendment included a grant for unmet needs disaster assistance of \$280,600; NW Iowa Regional Trust local match of \$6,052; bridge, slope repair, chip seal and gravel of \$1,040,000; audit fee of \$2,475; CDBG flowthrough money of \$110,000; capital projects of \$2,048,075 and an operating transfer to the newly formed Revolving Loans - Development Projects Fund of \$75,104.

The second amendment was adopted May 23, 2011 and resulted in a decrease in budgeted disbursements of \$51,739. Reasons for this amendment were to reduce unmet needs grant expenditures of \$(239,968); increase medical examiner of \$3,900; replace ambulance garage roof of \$23,000; emergency response grant of \$20,000; mental health expenditures of \$97,860; conservation land purchase of \$11,300; conservation playground equipment of \$12,500; secondary roads moved \$200,000 from road construction to equipment operations for fuel costs; courthouse dome project of \$43,500; courthouse sound system of \$15,000 and reduce CDBG expenditures by \$(38,831).

Lyon County budgets on a cash accounting basis. In fiscal year 2011, Lyon County budgeted (after final amendment) \$12,600,847 for receipts, \$14,374,495 for disbursements, and budgeted an ending cash balance of \$3,112,348. Lyon County actually finished the year with receipts of \$12,103,651, disbursements of \$12,664,592, sale of capital assets of \$3,878 and an ending cash balance of \$4,984,493.

Capital Assets and Debt Administration

Capital Assets

Lyon County concluded fiscal year 2011 with \$33,838,157 invested in a broad range of capital assets, including public safety equipment, buildings, park activities, roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Capital Assets of Governmental Activities at Year End

	June 30, 2011	June 30, 2010
Land	\$ 1,717,119	\$ 1,705,819
Buildings & Improvements	7,063,003	6,910,092
Machinery, Equipment & Vehicles	9,685,261	9,114,268
Infrastructure	14,612,812	14,008,311
Construction in Progress	759,962	348,334
Total	\$ 33,838,157	\$ 32,086,824

This year's major asset additions included:

Ambulance:

2010 Chevy Diesel Ambulance - \$123,900

Conservation:

Trail Project - \$12,168

GE Central Wetland - \$23,405

Land - \$11,300

2011 Kubota Utility Vehicle - \$12,005

Playground Set - \$11,634

Prairie View Bathroom at Lake Pahoja - \$76,596

Courthouse:

Dome Renovation - \$80,742

Courthouse Sound System - \$13,638

Secondary Roads:

Dump Box, Wing, Spreader - \$48,029

2011 Chevy Pickup - \$26,550

2010 Kenworth Truck - \$95,157

2009 GMC Pickup - \$26,300

Truck Hoist - \$27,938

160 M AWD Motorgrader - \$289,960

Road Project - \$564,644

Rock County Stateline Bridge - \$39,857

Sheriff:

1999 Chevy Tahoe - \$6,250

2011 Ford F150 Pickup - \$29,040

The County had depreciation expense of \$1,204,151 in fiscal year 2011 and total accumulated depreciation of \$9,993,573 as of June 30, 2011.

Long-Term Debt

Lyon County issued \$1,540,000 in General Obligation Refunding Bonds, Series 2010A dated March 15, 2010. The first principal payment was June 1, 2011 with the interest rate at 2% - 2.95%. Lyon County is saving approximately \$99,000 in interest expense by refunding of the original bonds. Final principal payment will be due June 1, 2017. The paying agent is Bankers Trust of Des Moines. On June 30, 2011, Lyon County's outstanding debt for general obligation bonds was \$1,340,000; compared to \$1,540,000 on June 30, 2010.

The County entered into a 10 year interest free promissory note for property purchased by the Conservation department for real estate in fiscal year 2002/2003. The promissory note was for \$18,220. The promissory note provides for annual principal payments on October 15 in the amount of \$1,822. On June 30, 2011, the remaining balance was \$3,644; compared to \$5,466 on June 30, 2010.

Outstanding Long-Term Debt of Governmental Activities at Year-End

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land Loan Payable	\$ 3,644	\$ 5,466
Net OPEB Liability	18,243	9,475
Compensated Absences	266,228	231,574
General Obligation Bonds	1,340,000	1,540,000
Total	<u>\$ 1,628,115</u>	<u>\$ 1,786,515</u>

Standard & Poor's gives Lyon County a credit rating of "A/Developing". "A" summarized is a strong capacity to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances. "Developing" means a rating may be raised or lowered. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. (This figure is 100% valuation less military exemptions). Lyon County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$49 million. Additional information about the County's long-term debt is presented in Notes 7 and 10 to the financial statements.

Economic Factors and Next Year's Budgets and Rates (Fiscal Year 2012)

Lyon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Lyon County in December 2011 was at 3.00% (December 2010 was at 3.40%). This compared with the State's December 2011 unemployment rate of 5.60% (December 2010 was at 6.30%) and the national rate of 8.50% (December 2010 was at 9.40%).

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's December 2011 CPI rate was 215.173 (December 2010 = 209.270). The national December 2011 CPI rate was 225.672 (December 2010 = 219.179). The State's December 2011 CPI rate was 10.499 lower than the National CPI rate (December 2010 = 9.909).

These indicators affect the adopted budget for fiscal year 2012. Total disbursements and transfers in the fiscal year 2012 operating budget is \$14,404,810, compared to \$12,379,597 in the original budget for fiscal year 2011; an increase of \$2,025,213 or 16.36%. Utility replacement and property tax dollars in the 2012 budget is \$5,128,393, compared to \$5,050,529 in 2011; an increase of \$77,864, or 1.54%. Countywide valuations (with utilities) for fiscal year 2012 are \$621,786,473 compared to \$596,386,067 in fiscal year 2011, an increase of \$24,400,406, or 4.26%. Rural valuations (with utilities) for fiscal year 2012 are \$458,760,581, compared to \$436,309,713 in fiscal year 2011, an increase of \$22,450,868, or 5.15%.

Budgeted disbursements for fiscal year 2012 increased \$2,025,213 or 16.36%. The increases are as follows:

- Function 1: Public Safety - \$205,445 or 7.69%; Law Enforcement - \$82,000; Emergency Services - \$120,000 (new ambulance).
- Function 3: Public Health - \$38,255 or 4.30%; Health Services & Homemaker Health Aides - \$24,000
- Function 4: Mental Health - \$58,892 or 5.98%
- Function 6: County Environmental & Education - \$77,111 or 10.76%; Conservation - \$40,000; Economic Development - \$27,000
- Function 7: Roads & Transportation - \$742,047 or 19.75%; Administration - \$33,000; Road Maintenance - \$391,000; General Roadway expense - \$318,000
- Function 8: Government Services to Residents - \$36,340 or 8.29%; Elections - \$18,000; Motor Vehicle - \$10,000; Recorder - \$8,000
- Function 9: Administration - \$116,323 or 12.46%; Policy/Administration - \$16,000; General Services - \$88,000; Property Insurance - \$11,800
- Function 10: Other NonProgram Current: \$50,164 or 142% - TIF programs
- Function 10: Long Term Debt: \$(1,477) – Jail Obligation Bond
- Function 10: Capital Projects: \$529,750 or 187% - Roadway Construction
- Transfers: \$172,363 or 13.16%

Budgeted transfers to the Secondary Roads Fund are \$104,926 from the General Basic Fund and \$1,378,002 from the Rural Service Fund; this is the maximum allowed by law. Budgeted transfers to the Economic Development Fund are \$65,000 from the General Basic Fund and \$65,000 from the Rural Services Fund.

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. Lyon County is at the maximum levy rate and does levy in the General Supplemental Fund. The General Supplemental levy for fiscal year 2012 is 1.20000. The General Supplemental levy was 1.40000 in fiscal year 2011.

Iowa Code limits the Rural Services Basic levy rate to \$3.95 per \$1,000 of taxable value. Rural Services also has available a supplemental levy for expenditures if the maximum levy rate is met. Lyon County is below the maximum levy rate. The Rural Services levy for fiscal year 2012 is 3.75198. The Rural Service levy remained unchanged compared to fiscal year 2011.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Wayne Grooters
Lyon County Auditor
206 South 2nd Avenue
Rock Rapids, Iowa.
wgrooters@co.lyon.ia.us
(712) 472-8517

Lyon County Board of Supervisors:

Stephen Michael	District #1
Merle Koedam	District #2
Mike Modder	District #3
Randy Bosch	District #4
Kirk J. Peters	District #5

Sources: Unemployment: <http://www.iowaworkforce.org> <http://iwin.iwd.state.ia.us>
Consumer Price index (Bureau of Labor Statistics): <http://www.bls.gov>
State Auditor's Office: <http://auditor.iowa.gov>
Credit Rating: <http://www.standardandpoors.com>

Lyon County
Basic Financial Statements

Lyon County

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and Pooled Investments	\$ 6,705,420
Receivables:	
Property Tax:	
Delinquent	32
Succeeding Year	4,922,163
Tax Increment Financing:	
Succeeding Year	80,478
Interest and Penalty on Property Tax	41
Accounts	556,655
Accrued Interest	358
Due from Agency Funds	74,184
Due from Other Governments	1,347,353
Inventories	753,416
Prepaid Expenses	10,899
Prepaid Lease	64,127
Capital Assets (Net of Accumulated Depreciation)	<u>23,844,584</u>
Total Assets	<u>38,359,710</u>
Liabilities	
Accounts Payable	865,827
Contracts Payable	81,704
Accrued Interest Payable	2,543
Salaries and Benefits Payable	49,083
Due to Other Governments	190,053
Deferred Revenue:	
Succeeding Year Property Tax	4,922,163
Succeeding Year Tax Increment Financing	80,478
Other	10,470
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Land Loan Payable	1,822
General Obligation Bonds	210,000
Compensated Absences	234,045

Lyon County

Statement of Net Assets

June 30, 2011

Liabilities (Continued)

Long-Term Liabilities (Continued):

Portion Due or Payable After One Year:

Land Loan Payable	1,822
General Obligation Bonds	1,130,000
Compensated Absences	32,183
Net OPEB Liability	18,243

Total Liabilities

7,830,436

Net Assets

Invested in Capital Assets, Net of Related Debt 22,500,940

Restricted for:

Supplemental Levy Purposes	395,386
Jail Improvements/Courthouse Security	91,711
Mental Health Purposes	117,183
Rural Services Purposes	768,378
Secondary Roads Purposes	3,594,088
Debt Service	12,791
Other Purposes	300,735

Unrestricted 2,748,062

Total Net Assets

\$ 30,529,274

Lyon County

Statement of Activities

Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		
Functions/Programs:					
Governmental Activities:					
Public Safety and Legal Services	\$ 2,756,962	708,352	117,234	0	(1,931,376)
Physical Health and Social Services	784,264	432,958	186,571	0	(164,734)
Mental Health	1,105,677	22,676	789,964	0	(293,037)
County Environment and Education	757,937	235,401	22,988	1,023,107	523,558
Roads and Transportation	5,301,841	54,812	3,856,279	976,272	(414,478)
Governmental Services to Residents	415,803	245,441	2,504	0	(167,858)
Administration	916,930	4,626	0	0	(912,304)
Non-Program Current	105,742	0	0	0	(105,742)
Interest on Long-Term Debt	35,255	0	0	0	(35,255)
Capital Projects	1,042,256	0	0	0	(1,042,256)
Total	\$ 13,222,667	1,704,266	4,975,540	1,999,379	(4,543,482)
General Revenues:					
Property and Other County Tax Levied for:					
General Purposes					4,643,730
Debt Service					233,100
Tax Increment Financing					34,573
Penalty and Interest on Property Tax					24,065
State Tax Credits					212,301
Local Option Sales Tax					506,401
Grants and Contributions Not Restricted to Specific Purpose					11,982
Unrestricted Investment Earnings					131,207
Rents					37,454
Gain on Disposal of Capital Assets					14,393
Miscellaneous					58,212
Total General Revenues					5,907,418
Change in Net Assets					1,363,936
Net Assets Beginning of Year					29,165,338
Net Assets End of Year					\$ 30,529,274

See notes to financial statements.

Lyon County

Balance Sheet
Governmental Funds

June 30, 2011

	General	Special Revenue			Debt Service	Nonmajor Special Revenue	Total
		Mental Health	Rural Services	Secondary Roads			
Assets							
Cash and Pooled Investments	\$ 757,934	304,890	697,385	2,952,801	15,332	256,151	4,984,493
Receivables:							
Property Tax:							
Delinquent	28	2	0	0	2	0	32
Succeeding Year	2,809,040	234,225	1,651,815	0	227,083	0	4,922,163
Tax Increment Financing:							
Succeeding Year	0	0	0	0	0	80,478	80,478
Interest and Penalty on Property Tax	41	0	0	0	0	0	41
Accounts	538,383	0	39	723	0	300	539,445
Accrued Interest	358	0	0	0	0	0	358
Due from Other Governmental Funds	325	0	0	2,864	0	0	3,189
Due from Agency Funds	65,348	0	0	0	0	8,836	74,184
Due from Other Governments	739,884	7,538	120,182	478,972	0	777	1,347,353
Inventories	3,983	9	7	749,417	0	0	753,416
Prepaid Expenditures	7,834	0	0	3,065	0	0	10,899
Prepaid Lease	0	0	0	64,127	0	0	64,127
Total Assets	\$ 4,923,158	546,664	2,469,428	4,251,969	242,417	346,542	12,780,178

Liabilities and Fund Balances

Liabilities:

Accounts Payable	\$	187,826	32,273	1,232	494,856	0	1,338	717,525
Contracts Payable		81,704	0	0	0	0	0	81,704
Salaries and Benefits Payable		22,601	0	1,969	24,513	0	0	49,083
Compensated Absences		0	0	0	0	0	0	0
Due to Other Governmental Funds		0	0	2,864	0	0	325	3,189
Due to Other Governments		20,983	160,710	125	8,235	0	0	190,053
Deferred Revenue:								
Succeeding Year Property Tax		2,809,040	234,225	1,651,815	0	227,083	0	4,922,163
Succeeding Year Tax Increment Financing		0	0	0	0	0	80,478	80,478
Other		248,217	2	7,605	243,229	2	8,036	507,091
Total Liabilities		3,370,371	427,210	1,665,610	770,833	227,085	90,177	6,551,286

Fund Balances:

Nonspendable:

Inventories		3,983	9	7	749,417	0	0	753,416
Prepaid Expenditures/Lease		7,834	0	0	67,192	0	0	75,026

Restricted For:

Supplemental Levy Purposes		395,379	0	0	0	0	0	395,379
County Government Assistance		18,248	0	0	0	0	0	18,248
Jail Improvements/Courthouse Security		37,758	0	0	0	0	0	37,758
Ambulance Donation		2,074	0	0	0	0	0	2,074
Mental Health Purposes		0	119,445	0	0	0	0	119,445
Rural Services Purposes		0	0	803,811	0	0	0	803,811
Secondary Roads Purposes		0	0	0	2,664,527	0	0	2,664,527
Debt Service		0	0	0	0	15,332	0	15,332
Other Purposes		0	0	0	0	0	106,907	106,907

Committed For:

Conservation Purposes		0	0	0	0	0	31,580	31,580
Economic Development Puposos		0	0	0	0	0	117,878	117,878
Assigned For Courthouse Improvements		100,000	0	0	0	0	0	100,000
Unassigned		987,511	0	0	0	0	0	987,511
Total Fund Balances		1,552,787	119,454	803,818	3,481,136	15,332	256,365	6,228,892

Total Liabilities and Fund Balances

\$	4,923,158	546,664	2,469,428	4,251,969	242,417	346,542	12,780,178
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See notes to financial statements.

Lyon County

**Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets**

June 30, 2011

Total Governmental Fund Balances (pages 24-25) \$ 6,228,892

*Amounts reported for governmental activities in the Statement of Net Assets
are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$33,838,157 and the accumulated depreciation is \$9,993,573. 23,844,584

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 496,621

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 1,589,835

Long-term liabilities, including the accrued interest payable, land loan payable, general obligation bonds payable, certain compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,630,658)

Net Assets of Governmental Activities (pages 20-21) \$ 30,529,274

See notes to financial statements.

Lyon County

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds**

June 30, 2011

	General	Special Revenue			Debt Service	Nonmajor Special Revenue	Total
		Mental Health	Rural Services	Secondary Roads			
Revenues:							
Property and Other County Tax	\$ 2,841,815	232,828	1,569,085	0	233,101	0	4,876,829
Local Option Sales Tax	0	0	506,400	0	0	0	506,400
Tax Increment Financing	0	0	0	0	0	34,573	34,573
Interest and Penalty on Property Tax	24,040	0	0	0	0	0	24,040
Intergovernmental	1,570,467	835,940	260,362	3,625,036	10,218	36,463	6,338,486
Licenses and Permits	40,252	0	23,900	7,275	0	0	71,427
Charges for Service	752,977	6,799	114	3,179	0	68,876	831,945
Use of Money and Property	153,984	0	0	850	813	849	156,496
Miscellaneous	363,594	228	2,215	32,371	0	23,292	421,700
Total Revenues	5,747,129	1,075,795	2,362,076	3,668,711	244,132	164,053	13,261,896
Expenditures:							
Operating:							
Public Safety and Legal Services	2,025,688	0	753,571	0	0	3,717	2,782,976
Physical Health and Social Services	769,231	0	24,383	0	0	0	793,614
Mental Health	0	1,108,429	0	0	0	0	1,108,429
County Environment and Education	481,375	0	100,260	0	0	128,212	709,847
Roads and Transportation	0	0	0	5,034,748	0	0	5,034,748
Governmental Services to Residents	415,206	0	1,385	0	0	3,023	419,614
Administration	988,381	0	0	0	0	0	988,381
Non-Program Current	71,169	0	0	0	0	34,573	105,742

Debt Service	0	0	0	0	242,866	0	242,866
Capital Projects	1,005,742	0	0	45,312	0	112,169	1,163,223
Total Expenditures	5,756,792	1,108,429	879,599	5,080,060	242,866	281,694	13,349,440
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,663)	(32,634)	1,482,477	(1,411,349)	1,267	(117,641)	(87,544)
Other Financing Sources (Uses):							
Sale of Capital Assets	0	0	0	3,878	0	0	3,878
Operating Transfers In	0	0	0	1,310,565	0	205,104	1,515,669
Operating Transfers Out	(65,000)	0	(1,375,565)	0	0	(75,104)	(1,515,669)
Total Other Financing Sources (Uses)	(65,000)	0	(1,375,565)	1,314,443	0	130,000	3,878
Net Change in Fund Balances	(74,663)	(32,634)	106,912	(96,906)	1,267	12,359	(83,666)
Fund Balances Beginning of Year, as Restated	1,627,450	152,088	696,906	3,578,042	14,066	244,006	6,312,558
Fund Balances End of Year	\$ 1,552,787	119,454	803,818	3,481,136	15,333	256,365	6,228,892

See notes to financial statements.

Lyon County

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement of Activities**

Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds (pages 28-29) \$ (83,666)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,028,226	
Capital assets contributed by the Iowa Department of Transportation	976,272	
Depreciation expense	<u>(1,204,151)</u>	800,347

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report only the proceeds from the disposition of capital assets as an increase in financial resources. (41,211)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	2	
Other	<u>310,069</u>	310,071

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure and refunding of long-term debt is an other financing use in the governmental funds, but the repayment/refunding reduces long-term liabilities in the Statement of Net Assets. Current year repayments and refundings exceeded issuances, as follows:

Repaid		201,822
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(34,654)	
Other postemployment benefits	(8,768)	
Interest on long-term debt	<u>7,611</u>	(35,811)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 212,384

Change in Net Assets of Governmental Activities (page 23) \$1,363,936

See notes to financial statements.

Lyon County
Statement of Net Assets
Proprietary Fund

June 30, 2011

	Internal Service - Employee Group Health
Assets	
Cash and Cash Equivalents	\$ 1,720,927
Accounts Receivable	17,210
Total Assets	<u>1,738,137</u>
Liabilities	
Accounts Payable	<u>148,302</u>
Net Assets	
Unrestricted	<u><u>\$ 1,589,835</u></u>

See notes to financial statements.

Lyon County

**Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund**

Year Ended June 30, 2011

		<u>Internal Service - Employee Group Health</u>
Operating Revenues:		
Reimbursements from Governmental Funds		\$ 1,204,015
Reimbursements from Agency Funds (Assessor/Assessor - Special Appraisers)		58,980
Reimbursements from Current Employees		107,520
Reimbursements from Retired Employees		13,015
Insurance Reimbursements/Pharmacy Rebates		<u>104,202</u>
Total Operating Revenues		1,487,732
Operating Expenses:		
Medical Claims	\$ 969,302	
Insurance Premiums	310,706	
Administrative Fees	18,285	
Certification of Insurance	100	
Chapter 509A Filing Fee	<u>925</u>	<u>1,299,318</u>
Operating Income		188,414
Non-Operating Revenues:		
Interest Income		<u>23,970</u>
Net Income		212,384
Net Assets Beginning of Year		<u>1,377,451</u>
Net Assets End of Year		<u><u>\$ 1,589,835</u></u>

See notes to financial statements.

Lyon County

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Cash Flows from Operating Activities:	
Cash Received from Governmental Funds Reimbursements	\$ 1,204,015
Cash Received from Agency Funds Reimbursements	58,980
Cash Received from Current and Retired Employees	120,535
Cash Received from Insurance Reimb./Pharmacy Rebates	136,785
Cash Paid to Suppliers for Services/Charges	<u>(1,318,695)</u>
Net Cash Provided by Operating Activities	201,620
Cash Flows from Investing Activities:	
Interest on Investments	<u>23,970</u>
Net Increase in Cash and Cash Equivalents	225,590
Cash and Cash Equivalents Beginning of Year	<u>1,495,337</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,720,927</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 188,414
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Receivable	32,583
Decrease in Accounts Payable	<u>(19,377)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 201,620</u></u>

See notes to financial statements.

Lyon County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

Assets

Cash and Pooled Investments:

County Treasurer	\$ 824,241
Other County Officials	72,570
Flex Spending Plan	2,072

Receivables:

Property Tax:

Delinquent	200
Succeeding Year	11,370,613

Tax Increment Financing:

Succeeding Year	384,089
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Accounts	17,612
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Due from Other Agency Fund	958
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Due from Other Governments	15,208
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Inventories	3,305
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Total Assets	12,690,868
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Liabilities

Accounts Payable	2,169
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Due to County Funds	74,184
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Due to Other Agency Fund	958
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Due to Other Governments	12,489,458
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Trusts Payable	105,328
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Compensated Absences	18,771
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Total Liabilities	12,690,868
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Net Assets	\$ 0
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See notes to financial statements.

Lyon County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Lyon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials and department heads that assist the Board of Supervisors include the Central Point Coordinator, Conservation Director, Engineer, Health Services Administrator and the Economic Development Director. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lyon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing

Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Assessor, Joint E911 Service and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2011, the County did not receive any revenue from or contribute any money to the Region III Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium, the Northwest Iowa Regional Housing Authority, or the Lyon County Economic Development Consortium. The County paid \$251 to the Northwest Iowa Solid Waste Agency for florescent bulbs disposal, \$13,950 to YES for juvenile services provided and \$36,333 in support for the Emergency Management Services. The Joint E911 Service paid the County \$5,000 for sign work and supplies; the Emergency Management Services paid the County \$2,400 for office space rent and \$618 for phone privileges; and the County Assessor contributed \$58,980 to the County's Internal Service Fund, Employee Group Health, to participate in the County's health insurance plan.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function.

Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general obligation bonds long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of any general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting

Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to various funds, current employees and retired employees for health plan costs and insurance reimbursements. Operating expenses for the Internal Service Fund include the cost of services and administrative related expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and the investment in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) where the cost and fair market value are considered equal.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are

deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; are based on January 1, 2009 assessed property valuations; are for the tax accrual period July 1, 2010 through June 30, 2011 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid to the County as of June 30, 2011. The General Fund accounts receivable total includes \$91,782 in jail/probation fees receivables and \$48,286 in ambulance charges receivables that were not collected within sixty days after year end. It is possible that a large portion of these jail/probation fees and ambulance charges receivables may not be collected within one year.

Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Funds, Due to Other Governmental Funds, Due to County Funds and Due to Other Agency Funds – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, the Employee Group Health Fund and agency funds, and between different agency funds. To the extent that certain transactions between the County's governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist mainly of expendable supplies held for consumption and some secondary roads supplies available for resale. Inventories of governmental funds are recorded as expenses/expenditures when consumed or sold rather than when purchased. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale at the jail.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/ expenditures and prepaid lease represent a lease agreement and other expenses/expenditures that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles (when any) and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 15
Vehicles	3 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other requirements are met.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be

collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements only for employees that have resigned, retired or had their employment terminated. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads and Economic Development Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of any debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2011, the County had the following investments:

Type	Pool/Number	Maturity Date	Fair Value
FHLMC	SER 2115.CL	January 15, 2029	\$ 60,759
FHLMC	SER 1570 CL	August 15, 2023	14,780
			<u>\$ 75,539</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,002 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) with a carrying and fair value of \$91,071, that are not subject to risk categorization.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investments in the FHLMCs, Iowa Public Agency Investment Trust and the Wells Fargo Advantage Government Money Market Fund at June 30, 2011 are unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one type of investment or any single issuer, except for prime banker's acceptances and commercial paper. Each type of investment, prime banker's acceptances and commercial paper, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker's acceptances and commercial paper. Also, no more than five percent of the amount invested in commercial paper shall be invested in paper rated in the second highest classification. The County had no investments in prime banker's acceptances and commercial paper during the fiscal year ended June 30, 2011.

(3) Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Funds, Due to Other Governmental Funds, Due to County Funds, and Due to Other Agency Funds

The detail of receivables and payables between the County's different governmental funds and agency funds and between different agency funds for transactions at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency:	
	County Offices (Recorder, Sheriff, Conservation)	\$ 54,123
	Auto License and Use Tax	11,225
	Special Revenue:	
	Revolving Loans - Development Projects	325
Special Revenue: Secondary Roads	Special Revenue: Rural Services	2,864
County Recorder's Records Management	Agency: County Offices (Recorder)	800
Sheriff's Asset Forfeiture	County Offices (Sheriff)	8,036
Agency: Other (Co. Recorder's Electronic Fee)	Agency: County Offices (Recorder)	958
Total		<u>\$ 78,331</u>

These balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur or money is collected in an agency fund, the

transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund or agency fund.

(4) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 1,310,565
Economic Development	Special Revenue:	
	Rural Services	65,000
	General	65,000
Revolving Loans –	Special Revenue:	
Development Projects	Economic Development	75,104
		<u>\$ 1,515,669</u>

The Rural Services Fund transfer to the Secondary Roads Fund was generally to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Rural Services and General Funds transfers to the Economic Development Fund were to create funding for the Economic Development Fund. The transfer from the Economic Development Fund to the Revolving Loans – Development Projects Fund was for the purpose of starting a new revolving loan fund to encourage economic development by providing a secondary funding source for economic development in Lyon County.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	1,705,819	11,300	0	1,717,119
Construction in Progress	348,334	976,272	(564,644)	759,962
Total Capital Assets Not Being Depreciated	2,054,153	987,572	(564,644)	2,477,081
Capital Assets Being Depreciated:				
Buildings	6,139,638	157,338	(40,000)	6,256,976
Improvements Other Than Buildings	770,454	35,573	0	806,027
Machinery, Equipment and Vehicles	9,114,268	784,158	(213,165)	9,685,261
Infrastructure	14,008,311	604,501	0	14,612,812
Total Capital Assets Being Depreciated	30,032,671	1,581,570	(253,165)	31,361,076

Less Accumulated Depreciation For:				
Buildings	1,711,790	140,580	(34,440)	1,817,930
Improvements Other Than Buildings	310,861	39,533	0	350,394
Machinery, Equipment and Vehicles	5,014,509	536,421	(177,514)	5,373,416
Infrastructure	1,964,216	487,617	0	2,451,833
Total Accumulated Depreciation	<u>9,001,376</u>	<u>1,204,151</u>	<u>(211,954)</u>	<u>9,993,573</u>
Total Capital Assets Being Depreciated, Net	<u>21,031,295</u>	<u>377,419</u>	<u>(41,211)</u>	<u>21,367,503</u>
Governmental Activities Capital Assets, Net	<u>23,085,448</u>	<u>1,364,991</u>	<u>(605,855)</u>	<u>23,844,584</u>

The County does not have any “intangible” capital assets as of June 30, 2011.

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 165,397
Physical Health and Social Services	701
County Environment and Education	82,406
Roads and Transportation	903,000
Governmental Services to Residents	8,528
Administration	<u>44,119</u>

Total Depreciation Expense – Governmental Activities	<u>\$ 1,204,151</u>
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(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other county tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	<u>\$ 20,983</u>
Special Revenue:		
Mental Health	Services	160,710
Secondary Roads	Services	8,235
Rural Services	Services	<u>125</u>
Special Revenue Total		<u>169,070</u>
Total for Governmental Funds		<u>\$ 190,053</u>

Agency:		
County Offices	Collections	\$ 11,999
Agricultural Extension Education		180,797
County Assessor		158,034
County Assessor – Special Appraisers		202,132
Schools		8,053,810
Community Colleges		393,467
Corporations		2,745,059
Townships		208,759
Auto License and Use Tax		291,421
E911 Surcharge		180,722
E911 Operating		8,008
Emergency Management		44,102
All Other		11,148
		<u>\$ 12,489,458</u>
Total for Agency Funds		<u>\$ 12,489,458</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Bonds	Compensated Absences	Land Loan	Net OPEB Liability	Total
Balance Beginning of Year	\$ 1,540,000	231,574	5,466	9,475	1,786,515
Increases	0	319,289	0	8,768	328,057
Decreases	(200,000)	(284,635)	(1,822)	(0)	(486,457)
Balance End of Year	1,340,000	266,228	3,644	18,243	1,628,115
Due Within One Year	\$ 210,000	234,045	1,822	0	445,867

Bonds Payable

A summary of the County's June 30, 2011 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	2.00%	\$ 210,000	31,022	241,022
2013	2.00%	215,000	26,823	241,823
2014	2.00%	220,000	22,523	242,523
2015	2.25%	225,000	18,122	243,122
2016	2.60%	230,000	13,060	243,060
2017	2.95%	240,000	7,080	247,080
Total		\$ 1,340,000	118,630	1,458,630

During the fiscal year ended June 30, 2011, the County retired \$200,000 in general obligation refunding bonds. The County paid interest of \$42,416 and bond administration charges of \$450. These general obligations bonds are being redeemed through the Debt Service Fund.

Land Loan Payable

During the fiscal year ended June 30, 2003, the County purchased real estate for conservation purposes for \$59,620. The County paid for most of the purchase price from the General Fund with a portion of the cost being set up to be paid as a promissory note to the seller. The note carries a 0% interest rate. The promissory note provides for payment of principal in the amount of \$1,822 on the 15th of each October until the note is satisfied. Payments of the \$1,822 are scheduled to be paid annually until October 15, 2012. The County paid off \$1,822 of the loan during the fiscal year ended June 30, 2011, resulting in a loan balance of \$3,644 on June 30, 2011. This loan is being satisfied through the General Fund.

(8) Operating Lease Arrangement

Fair Building

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. As per the agreement, the County agreed to and paid for one-half of the building costs up to \$100,000 in 2000.

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The \$64,127, reported as a prepaid lease asset in the Statement of Net Assets and the Balance Sheet (Governmental Funds) in the Secondary Roads Fund, represents the amortized value of the lease benefit remaining from July 1, 2011 until September 24, 2030.

(9) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that

includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$306,069, \$280,237 and \$261,471, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 83 active and no retired members participating in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-funded medical plan administered by First Administrators, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 10,158
Interest on net OPEB obligation	379
Adjustment to annual required contribution	<u>(374)</u>
Annual OPEB cost	10,163
Contributions made	<u>(1,395)</u>
Increase in net OPEB obligation	8,768
Net OPEB obligation beginning of year	<u>9,475</u>
Net OPEB obligation end of year	<u>\$ 18,243</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$1,395 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Percentage of Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 10,158	6.9%	\$ 9,475
2011	\$ 10,163	13.7%	18,243

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$81,273, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,273. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,453,055 and the ratio of the UAAL to covered payroll was 2.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2011 using Scale AA. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$8,040 annually for retirees less than age 60 and \$9,900 annually for retirees who have attained age 60. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The

salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

Lyon County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2011 were \$164,417.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The

County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$2,000,000, employee blanket bonding in the amount of \$200,000 and credit card forgery in the amount of \$25,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$45,000. Claims in excess of coverage are insured through purchase of stop loss insurance from the Sun Life Assurance Company of Canada/Sun Life Financial. The stop loss insurance coverage has a maximum lifetime reimbursement amount of \$2,000,000 per eligible participant and an annual maximum aggregate reimbursement of \$1,000,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, stop loss insurance premiums and claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contributions from governmental funds to this fund for the year ended June 30, 2011 were \$1,204,015. The County Assessor/County Assessor – Special Appraisers contributed \$58,980 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$148,302, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay

prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,589,835 at June 30, 2011 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid medical claims beginning of fiscal year	\$ 167,671
Incurred medical claims (including medical claims incurred but not reported as of June 30, 2011):	
Current and prior year events	969,302
Payments:	
Current and prior year events	<u>(988,671)</u>
Unpaid medical claims end of fiscal year	<u>\$ 148,302</u>

The change in the provision for events of prior fiscal years for incurred claims and payments on claims attributable to events of prior fiscal years is not disclosed separately. This information is not available as it was not determined by the actuary while preparing the actuarial opinion.

(13) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2011, except for \$251 to dispose florescent bulbs.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$2,105,115 as of June 30, 2011 and the portion of the liability that has been recognized by the Agency as of June 30, 2011 is \$1,198,296. The estimated remaining life of the landfill is 28 years and the capacity used at June 30, 2011 is approximately 57 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2011, assets of \$1,481,831 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the fiscal year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Nonmajor - County Government Assistance
Balances June 30, 2010, as previously reported	\$ 1,609,202	18,248
Change in fund type classification per implementation of GASB Statement No. 54	18,248	(18,248)
Balance July 1, 2010, as restated	\$ 1,627,405	0

(15) Commitments

During the fiscal year ended June 30, 2007, the County amended its agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. Adjustments to the base amount using updated census data will be implemented in subsequent fiscal years as outlined in the agreement. The estimated annual base charges for fiscal years ending June 30, 2012-2017 are \$9,844 per year for a total of \$59,064. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid \$9,988 on this commitment during the fiscal year ended June 30, 2011.

In October 2010, the Board of Supervisors approved an IDOT Rise Project agreement for a road construction project which would expand Highway 9 to widen the road and add turning lanes. The County entered into a contract for \$971,294 (\$947,503 plus \$23,791 in change orders and project overages) for the construction project to be paid from the General Basic Fund. As of June 30, 2011, costs of \$890,073 (\$845,569 paid; \$44,504 accrued retainage) have been incurred by the County on this contract. The remaining balance of \$81,221 and the \$44,504 in accrued retainage will be paid when the project is completed. Upon completion of the project, the County will receive reimbursement of the entire cost of this project from the IDOT Rise Project, and a private Lyon County business.

In June 2011, the Board of Supervisors accepted a bid for \$5,915 for courthouse and annex cement work to be paid by the General Fund.

In June 2011, the Board of Supervisors accepted a bid from D&L Masonry for \$5,915 for courthouse and annex cement work.

(16) Subsequent Events

In July 2011, the Board of Supervisors approved to reimburse the City of Larchwood \$25,934 from the Secondary Roads Fund for 50% of a farm-to-market street project.

In September 2011, the County paid in full the contract amount of \$5,915 from the General Fund for the courthouse and annex cement work completed.

In October 2011, the County entered into a contract for a courthouse roof repair project for \$41,725 to be paid from the General Basic Fund. The project is still in process and payment will be made upon completion of the project.

In January 2012, the County entered into a contract for the construction of a new Doon shop for secondary roads for \$131,054. As of June 2012, the County has paid \$60,061 from the Secondary Roads Fund for work in process on this project.

In March 2012, the County made a payment \$1,276,580 from the Secondary Roads Fund to the Iowa Department of Transportation to reimburse the State for Lyon County's share of farm-to-market projects.

In March 2012, the Board of Supervisors approved the purchase of new election equipment not to exceed \$100,000 (with trade-in) to be paid from the General Supplemental Fund.

In May 2012, the Conservation Board accepted a contract for the construction of a new shop at Lake Pahoja for \$165,814 to be paid from the CS Projects & Conservation Land Acquisition Trust Fund. Payments on this project will be made as work on the project progresses.

In June 2012, the County made the final payment on the contract outstanding as of June 30, 2011 for the highway construction project for expanding Highway 9 to widen the road and turning lanes for a total project cost of \$971,294. The total amount paid from the General Basic Fund subsequent to June 30, 2011 was \$125,725. The County will receive reimbursements from the Iowa DOT and a private Lyon County business for the entire contract amount.

(17) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(18) Special Investigation

There currently is a special investigation into possible improprieties in the Engineer's office that extends from fiscal year 2010/2011 until current. At this time, there is no estimate of how this investigation, if at all, could affect Lyon County's fiscal year 2010/2011 financial statements.

Lyon County
Required Supplementary Information

Lyon County

**Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances–
Budget and Actual (Cash Basis) – All Governmental Funds**

Required Supplementary Information

Year Ended June 30, 2011

		Budgeted Amounts		Final to Actual Variance
	Actual	Original	Final	
Receipts:				
Property and Other County Tax	\$ 5,346,911	5,347,859	5,347,859	(948)
Interest and Penalty on Property Tax	24,050	19,050	19,050	5,000
Intergovernmental	5,533,819	4,798,261	5,856,684	(322,865)
Licenses and Permits	72,980	62,236	62,236	10,744
Charges for Service	818,311	683,605	683,605	134,706
Use of Money and Property	156,328	185,850	185,850	(29,522)
Miscellaneous	151,252	40,750	445,563	(294,311)
Total Receipts	12,103,651	11,137,611	12,600,847	(497,196)
Disbursements				
Public Safety and Legal Services	2,647,818	2,672,321	2,739,853	92,035
Physical Health and Social Services	794,081	873,695	893,695	99,614
Mental Health	1,048,580	986,265	1,084,125	35,545
County Environment and Education	707,324	716,751	746,603	39,279
Roads and Transportation	4,652,244	3,757,860	4,997,860	345,616
Governmental Services to Residents	419,782	438,512	438,512	18,730
Administration	953,436	933,028	994,003	40,567
Non-Program Current	105,742	35,250	106,419	677
Debt Service	242,866	243,100	243,100	234
Capital Projects	1,092,719	282,250	2,130,325	1,037,606
Total Disbursements	12,664,592	10,939,032	14,374,495	1,709,903
Excess (Deficiency) of Receipts Over (Under) Disbursements	(560,941)	198,579	(1,773,648)	1,212,707
Other Financing Sources, Net	3,878	0	0	3,878
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(557,063)	198,579	(1,773,648)	1,216,585
Balances Beginning of Year	5,541,556	4,885,996	4,885,996	655,560
Balances End of Year	\$ 4,984,493	5,084,575	3,112,348	1,872,145

See accompanying independent auditor's report.

Lyon County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,103,651	1,158,245	13,261,896
Expenditures	12,664,592	684,848	13,349,440
Net	(560,941)	473,397	(87,544)
Other Financing Sources, Net	3,878	0	3,878
Beginning Fund Balances	5,541,556	771,002	6,312,558
Ending Fund Balances	\$ 4,984,493	1,244,399	6,228,892

See accompanying independent auditor's report.

Lyon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,435,463. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2011, disbursements did not exceed the amount budgeted for any function or departmental appropriation.

Lyon County

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$ 0	81,273	81,273	0.00%	3,243,687	2.5%
2011	Jul 1, 2009	0	81,273	81,273	0.00%	3,453,055	2.4%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Lyon County
Other Supplementary Information

Lyon County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2011

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture	County Tax Increment Financing
Assets				
Cash and Pooled Investments	\$ 27,933	21,914	2,800	0
Receivables:				
Tax Increment Financing:				
Succeeding Year	0	0	0	80,478
Accounts	0	0	0	0
Due from Agency Funds	0	800	8,036	0
Due from Other Governments	0	0	0	0
Total Assets	\$ 27,933	22,714	10,836	80,478
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	0	0	0	0
Due to Other Governmental Funds	0	0	0	0
Deferred Revenue:				
Succeeding Year Tax Increment Financing	0	0	0	80,478
Other	0	0	8,036	0
Total Liabilities	0	0	8,036	80,478
Fund Balances:				
Restricted For:				
Other Purposes	27,933	22,714	2,800	0
Committed For:				
Conservation Purposes	0	0	0	0
Economic Development Purposes	0	0	0	0
Total Fund Balances	27,933	22,714	2,800	0
Total Liabilities and Fund Balances	\$ 27,933	22,714	10,836	80,478

See accompanying independent auditor's report.

Schedule 1

CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Revolving Loans- Development Projects	Total
31,280	27,973	39,433	24,710	80,108	256,151
0	0	0	0	0	80,478
300	0	0	0	0	300
0	0	0	0	0	8,836
0	0	0	777	0	777
31,580	27,973	39,433	25,487	80,108	346,542
0	0	1,338	0	0	1,338
0	0	0	0	325	325
0	0	0	0	0	80,478
0	0	0	0	0	8,036
0	0	1,338	0	325	90,177
0	27,973	0	25,487	0	106,907
31,580	0	0	0	0	31,580
0	0	38,095	0	79,783	117,878
31,580	27,973	38,095	25,487	79,783	256,365
31,580	27,973	39,433	25,487	80,108	346,542

Lyon County

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds**

Year Ended June 30, 2011

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture	County Tax Increment Financing
Revenues:				
Tax Increment Financing	0	0	0	34,573
Intergovernmental	12,958	0	100	0
Charges for Service	0	3,259	0	0
Use of Money and Property	219	174	0	0
Miscellaneous	0	0	100	0
Total Revenues	13,177	3,433	200	34,573
Expenditures:				
Operating:				
Public Safety and Legal Services	0	0	1,103	0
County Environment and Education	11,300	0	0	0
Governmental Services to Residents	0	3,023	0	0
Non-Program Current	0	0	0	34,573
Capital Projects	0	0	0	0
Total Expenditures	11,300	3,023	1,103	34,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,877	410	(903)	0
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	1,877	410	(903)	0
Fund Balances Beginning of Year, as Restated	26,056	22,304	3,703	0
Fund Balances End of Year	\$ 27,933	22,714	2,800	0

See accompanying independent auditor's report.

Schedule 2

CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Revolving Loans- Development Projects	Total
0	0	0	0	0	34,573
23,405	0	0	0	0	36,463
65,617	0	0	0	0	68,876
456	0	0	0	0	849
10,000	0	3,760	4,753	4,679	23,292
99,478	0	3,760	4,753	4,679	164,053
0	0	0	2,614	0	3,717
11,634	0	105,278	0	0	128,212
0	0	0	0	0	3,023
0	0	0	0	0	34,573
112,169	0	0	0	0	112,169
123,803	0	105,278	2,614	0	281,694
(24,325)	0	(101,518)	2,139	4,679	(117,641)
0	0	130,000	0	75,104	205,104
0	0	(75,104)	0	0	(75,104)
0	0	54,896	0	75,104	130,000
(24,325)	0	(46,622)	2,139	79,783	12,359
55,905	27,973	84,717	23,348	0	244,006
31,580	27,973	38,095	25,487	79,783	256,365

Lyon County

**Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds**

Year Ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
Assets						
Cash and Pooled Investments:						
County Treasurer	\$ -	2,010	40,539	46,491	91,604	4,632
Other County Officials	72,570	0	0	0	0	0
Flex Spending Plan	0	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	2	1	2	81	4
Succeeding Year	0	178,785	136,878	155,639	7,962,125	388,831
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	2,169	0	100	0	0	0
Due from Other Agency Funds	0	0	0	0	0	0
Due from Other Governments	0	0	0	0	0	0
Inventories	3,076	0	229	0	0	0
Total Assets	\$ 77,815	180,797	177,747	202,132	8,053,810	393,467
Liabilities						
Accounts Payable	\$ -	0	942	0	0	0
Due to County Funds	62,959	0	0	0	0	0
Due to Other Agency Funds	958	0	0	0	0	0
Due to Other Governments	11,999	180,797	158,034	202,132	8,053,810	393,467
Trusts Payable	1,899	0	0	0	0	0
Compensated Absences	0	0	18,771	0	0	0
Total Liabilities	\$ 77,815	180,797	177,747	202,132	8,053,810	393,467

Schedule 3

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
20,480	2,696	302,646	157,590	8,008	37,910	100,422	9,213	824,241
0	0	0	0	0	0	0	0	72,570
0	0	0	0	0	0	0	2,072	2,072
110	0	0	0	0	0	0	0	200
2,340,380	206,063	0	0	0	0	0	1,912	11,370,613
384,089	0	0	0	0	0	0	0	384,089
0	0	0	15,343	0	0	0	0	17,612
0	0	0	0	0	0	0	958	958
0	0	0	8,050	0	7,158	0	0	15,208
0	0	0	0	0	0	0	0	3,305
2,745,059	208,759	302,646	180,983	8,008	45,068	100,422	14,155	12,690,868
0	0	0	261	0	966	0	0	2,169
0	0	11,225	0	0	0	0	0	74,184
0	0	0	0	0	0	0	0	958
2,745,059	208,759	291,421	180,722	8,008	44,102	0	11,148	12,489,458
0	0	0	0	0	0	100,422	3,007	105,328
0	0	0	0	0	0	0	0	18,771
2,745,059	208,759	302,646	180,983	8,008	45,068	100,422	14,155	12,690,868

Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities Agency Funds

Year Ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools
Assets and Liabilities					
Balances Beginning of Year	\$ 60,588	169,416	168,267	190,165	8,024,593
Additions:					
Property and Other County Tax (Including TIF)	0	178,843	136,923	155,694	7,634,886
E911 Surcharge	0	0	0	0	0
State Tax Credits	0	7,420	5,748	6,852	337,519
Intergovernmental Replacements, Grants and Revenues	0	88	68	81	3,973
Contribution from Lyon County	0	0	0	0	0
Forfeitures	8,036	0	0	0	0
Office Fees and Collections	321,778	0	325	0	0
Elections	8,272	0	0	0	0
Electronic Transaction Fee	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0
Assessments	0	0	0	0	0
Trusts	14,864	0	0	0	0
Interest	48	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Additions	352,998	186,351	143,064	162,627	7,976,378
Deductions:					
Agency Remittances:					
To County/Other Agency Funds	154,460	0	29,490	29,490	0
To Other Governments	170,063	174,970	104,094	121,170	7,947,161
Trusts Paid Out	11,248	0	0	0	0
Total Deductions	335,771	174,970	133,584	150,660	7,947,161
Balances End of Year	\$ 77,815	180,797	177,747	202,132	8,053,810

See accompanying independent auditor's report.

Schedule 4

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
390,250	2,707,933	199,156	266,381	165,896	8,008	44,262	58,746	12,988	12,466,649
388,969	2,727,174	206,072	0	0	0	0	0	1,910	11,430,471
0	0	0	0	98,072	0	0	0	0	98,072
17,100	108,563	8,504	0	0	0	0	0	86	491,792
202	2,754	56	0	0	0	14,269	0	1	21,492
0	0	0	0	0	0	36,333	0	0	36,333
0	0	0	0	0	0	0	0	0	8,036
0	0	0	0	0	0	0	0	0	322,103
0	0	0	0	0	0	0	0	0	8,272
0	0	0	0	0	0	0	0	9,627	9,627
0	0	0	3,515,691	0	0	0	0	0	3,515,691
0	0	0	0	0	0	0	0	74,172	74,172
0	0	0	0	0	0	0	103,760	72,370	190,994
0	0	0	0	1,170	0	0	0	7	1,225
0	0	0	0	0	0	311	0	0	311
406,271	2,838,491	214,632	3,515,691	99,242	0	50,913	103,760	158,173	16,208,591
0	0	0	129,529	5,000	0	3,018	0	0	350,987
403,054	2,801,365	205,029	3,349,897	79,155	0	47,089	0	82,424	15,485,471
0	0	0	0	0	0	0	62,084	74,582	147,914
403,054	2,801,365	205,029	3,479,426	84,155	0	50,107	62,084	157,006	15,984,372
393,467	2,745,059	208,759	302,646	180,983	8,008	45,068	100,422	14,155	12,690,868

Lyon County

Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:									
Property and Other County Tax	\$4,876,829	4,411,208	4,057,468	3,923,669	3,894,317	3,733,047	3,539,313	3,608,073	2,926,754
Local Option Sales Tax	506,400	461,496	466,114	442,135	453,163	383,787	389,263	345,675	375,962
Tax Increment Financing	34,573	28,097	27,130	17,915	17,213	14,797	14,190	261	0
Interest and Penalty on Property Tax	24,040	22,061	19,766	19,218	22,041	19,738	17,152	15,291	17,093
Intergovernmental	6,338,486	5,191,837	5,143,744	4,731,502	4,609,589	4,335,191	4,287,056	4,808,141	3,600,775
Licenses and Permits	71,427	68,272	59,212	47,818	49,094	47,705	41,479	38,800	38,196
Charges for Service	831,945	773,429	763,311	766,261	699,946	581,167	575,013	586,045	607,605
Use of Money and Property	156,496	182,685	213,890	291,628	311,459	245,570	181,556	125,310	175,541
Miscellaneous	421,700	60,018	138,376	91,996	208,452	119,583	48,906	63,215	175,689
Total	\$13,261,896	11,199,103	10,889,011	10,332,142	10,265,274	9,480,585	9,093,928	9,590,811	7,917,615
Expenditures:									
Operating:									
Public Safety and Legal Services	\$2,782,976	2,572,767	2,461,084	2,234,702	2,134,146	1,967,122	1,735,753	1,683,355	1,707,894
Physical Health and Social Services	793,614	785,963	758,292	744,482	685,546	625,689	577,077	610,516	627,654
Mental Health	1,108,429	1,007,259	1,017,862	1,069,718	985,661	914,771	929,935	839,397	897,363
County Environment and Education	709,847	713,793	745,926	692,411	660,724	487,539	436,917	450,422	505,595
Roads and Transportation	5,034,748	3,424,984	3,900,660	3,174,767	3,452,833	3,393,828	3,085,781	2,645,446	2,935,233
Governmental Services to Residents	419,614	419,591	451,162	377,071	335,089	443,417	321,632	289,005	268,630
Administration	988,381	896,744	855,233	875,240	803,685	752,959	714,501	692,475	765,681
Non-Program Current	105,742	28,097	27,130	17,915	17,213	14,797	16,190	627,685	86,576
Debt Service	242,866	279,673	252,685	280,383	286,239	287,438	279,527	275,772	276,372
Capital Projects	1,163,223	139,202	816,779	97,793	451,859	845,786	636,410	432,796	891,803
Total	\$13,349,440	10,268,073	11,286,813	9,564,482	9,812,995	9,733,346	8,733,723	8,546,869	8,962,801

See accompanying independent auditor's report.

Lyon County

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Direct:

U.S. Department of Justice:

Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.81	2009-SD-B9-0079	\$ 20,959
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Indirect:

U.S. Department of Health & Human Services:

Human Services Administrative Reimbursements:

Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		797
Foster Care- Title IV-E	93.658		1,293
Refugee and Entrant Assistance	93.566		2
Adoption Assistance	93.659		313
Children's Health Insurance Program	93.767		15
Medical Assistance Program	93.778		3,128
Social Services Block Grant	93.667		1,114

Iowa Department of Public Health:

Immunization Grants	93.268	5880 I451	13,506
Public Health Emergency Preparedness	93.069	5880 BT60	18,169
Public Health Emergency Preparedness	93.069	5881 BT360	10,826
			28,995

U.S. Department of Agriculture, Food and Nutrition Service:

Human Services Administrative Reimbursements:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		3,259
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U.S. Department of Justice:

Iowa Department of Justice:

Crime Victim Assistance	16.575	VA-11-65	14,465
Recovery Act - State Victim Assistance Formula Grant Program	16.801	VAS-11-65	1,290
Violence Against Women Formula Grants	16.588	VW-11-66	3,948
Violence Against Women Formula Grants	16.588	VWS-11-65	4,500
			8,448

U.S. Department of Housing and Urban Development:

Iowa Department of Economic Development:

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	07-ED-011	71,169
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See accompanying independent auditor's report.

Schedule 6

Grantor/Program	Number	Number	Expenditures
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance (Presidentially			
Declared Disasters)	97.036		<u>451,100</u>
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042		<u>14,269</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government			
Services, Recovery Act	84.397	S397A090016A	<u>30,395</u>
Total Indirect			<u>643,558</u>
Total			<u><u>\$ 664,517</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Lyon County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Lyon County

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials of Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lyon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lyon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Lyon County's internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-A, D, E, G, H, I, J, L, M and N to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-B, C, F, and K to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lyon County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Lyon County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lyon County and other parties to whom Lyon County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lyon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



De Noble & Company PC
Certified Public Accountants

June 25, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Lyon County:

Compliance

We have audited Lyon County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. Lyon County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Lyon County's management. Our responsibility is to express an opinion on Lyon County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lyon County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lyon County's compliance with those requirements.

In our opinion, Lyon County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Lyon County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lyon County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with

OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be a material weakness and an other deficiency we consider to be a significant deficiency.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items III-11-AA and III-11-BB to be material weaknesses.

Lyon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Lyon County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lyon County and other parties to whom Lyon County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 25, 2012

Lyon County
Schedule of Findings and Questioned Costs

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lyon County did not qualify as a low-risk auditee.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

11-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted a lack of segregation of duties over financial transactions, record-keeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management and E911.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation that should be retained, to the cash receipt records and to the actual deposit made by an independent person.
- b) Bank accounts should be reconciled and reviewed promptly at the end of each month by individuals who do not sign checks, handle or record cash.
- c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records.
- d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- e) Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions.
- f) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- g) Billings for services, the recordkeeping of accounts receivable, and the handling of cash receipts should be segregated. The billing rates should be verified by independent individuals.
- h) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks. Procedures need to be established to ensure that both of the individuals whose signature is on the check have reviewed the supporting documentation for the check and approve issuing the check.
- i) The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.
- j) The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will have each office evaluate these recommendations. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response accepted. It is important that you attempt to implement these recommendations.

11-B Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County's accounting systems (mainly some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will have each applicable office work on creating a written accounting procedures manual for their accounting system.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

- 11-C Prevention Controls Review – Prevention controls need to be reviewed specifically at the County Conservation Office, but it would be beneficial for all offices to review.

Recommendation – Prevention controls (example: smoke detectors should be considered for fire prevention and detection) should be reviewed for adequacy.

Response – We will review our prevention controls and take any necessary steps that are deemed needed at each location.

Conclusion – Response accepted. Please do review prevention controls at each of the County's locations.

- 11-D Capital Assets – Capital assets are not being marked for identification purposes.

Recommendation – On a yearly basis, an independent person should be responsible for verifying the existence of the capital assets under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We will stress the need for security over capital assets until we can get your recommendation implemented.

Conclusion – Response accepted. Please attempt to begin working on implementing this recommendation.

- 11-E Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties.

Response – We will have each office work on rotating duties and cross-training.

Conclusion – Response accepted. Please do have each office attempt to implement this recommendation.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- 11-F Usage of County Vehicles – When using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage logs are not always being maintained and being compared to fuel consumption on a regular basis.

Recommendation – Per the County's employee handbook, when using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling should always be noted on the credit card receipt. Mileage and fuel logs should be maintained on each vehicle/piece of machinery and tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this recommendation is implemented.

Response – We will have the appropriate departments address this.

Conclusion – Response accepted. Please make sure the appropriate departments develop procedures to implement this recommendation.

- 11-G Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions in certain offices when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- requiring password changes on computers not connected to the mainframe because the software does not require the user to change log-ins/passwords periodically.
- requiring the password to use multiple characters on the keyboard.
- Requiring special passwords to change pay rates.

Recommendation – Written policies should be developed addressing the above procedures in order to improve the control over computer based systems.

Response – We will address these computer related issues with the individual offices and our software providers.

Conclusion – Response accepted. Please attempt to implement these recommendations.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- 11-H Payroll Issues – The County does not have any formal written employee performance evaluation process.

Payroll time sheets are not always being signed/formally approved by the employee or the employee's supervisor and there are several employees that do not fill out time sheets. Additionally, we noted several payroll deductions made which did not agree with the documentation in the employee's personnel file.

Recommendation – The County should consider implementing a formal written employee performance evaluation process. The results of the employee evaluations should be reviewed with the Board of Supervisors.

The County should consider the need to require all County personnel to prepare daily time sheets or time cards. All County time cards/sheets should have a signature line for the employee and the employee's direct supervisor that should be required to be completed before payroll is paid in order to attest to the accuracy of hours worked. Also, any changes to payroll deductions need to be documented in the employee's personnel file.

Response – The Board of Supervisors will consider the written employee evaluation issue. We will address the issue of time cards/sheets and the process to ensure that all changes to payroll deductions are properly documented in the employee's personnel file.

Conclusion – Response accepted.

- 11-I Inventory Records – Inventory records did not always reconcile to the year end physical count. Inventory records are not being monitored on a regular on-going basis.

Recommendation – Inventory procedures and monitoring should be analyzed for ways to increase accuracy, controls and efficiency.

Response – We will have the appropriate offices work on improving inventory procedures and related records.

Conclusion – Response accepted.

- 11-J Project Reimbursements and Grant Applications – The Engineer's office did not send invoices to other governmental entities for reimbursement due to the County for the other governmental entities' share of completed infrastructure projects. Additionally, grant applications for funding related to projects was not submitted timely.

Recommendation – The County needs to develop procedures to ensure all project reimbursements, grant funding requests and miscellaneous revenues are billed out timely, the billings are collected and that collections are deposited in a timely manner to the

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

County by the Engineer's office; also, grant applications should be submitted in a timely manner.

Response – We will work with the Engineer's office in order to implement this recommendation.

Conclusion – Response accepted.

- 11-K Earned Comp Time – We noted a few exempt employees who received and used comp time during the year; however, accordingly to the employee policies/handbook, exempt employees are not eligible to earn comp time.

Recommendation – An evaluation needs to be made to determine who falls under the exempt status and it needs to be clear in the employee handbook whether comp time is allowed to be earned by exempt employees in each department. The County needs to develop procedures to ensure all employee handbook policies are being followed.

Response – We will attempt to have the departments comply with your recommendations.

Conclusion – Response accepted.

- 11-L Revenue Generating Services – The County is losing out on a revenue source by having the “time of transfers” done by outside parties when the County has a certified representative that is eligible to perform the inspections.

Recommendation – The County should develop a policy on the utilization of outside parties when County personnel have the expertise to perform a revenue generating service.

Response – We will work on implementing your recommendation.

Conclusion – Response accepted.

- 11-M Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues and expenses/expenditures not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues and expenses/expenditures are identified and included in the County's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please do review your procedures.

11-N

Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management also needs to communicate the County's expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted. Please do address our recommendation.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters.)

Federal Award Year: 2011

U.S. Department of Homeland Security

Passed through the Iowa Homeland Security and Emergency Management Division

- 11-AA Segregation of Duties over Federal Expenditures – The County, including the Engineer's Office, does not properly segregate authorization of transactions, handling of source documents, custody of assets, recordkeeping and reconciling functions for cash disbursements and payroll expenditures, including those related to federal programs. See item 11-A.
- 11-BB Management Procedures – There appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics, including those related to federal programs. See item 11-N.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

11-1 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amount budgeted or, any of the amounts appropriated in any department.

11-2 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

There appears to be personal usage of cell phones (verbal and texting) for which the County isn't being reimbursed and there were several meal expense reimbursements to employees that did not have the proper support retained.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors needs to enforce the County's written policies and should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation. All disbursements, including credit card charges/employee meal charges, should be supported by an actual receipt/invoice that supports the charge in detail.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted. It is important that these issues are addressed.

11-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see "Other Findings Related to Required Statutory Reporting: 11-2" for a possible related comment.

11-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Name, Title and Business Connection	Transaction Description	Amount
Deep Clean Inc., Jennifer Smit's Husband is a Shareholder, Auditor's Office Clerk	Custodial services	\$ 12,500
Todd Reinke, Owner of Todd's True Value, Conservation Board Member	Supplies	1,491
Scotty's Paint & Body, Sandy Wissink's Husband is the Owner, Dispatcher	Vehicle repairs and towing	4,941
C & A Snow Removal, Roberta Flier's Husband is the Owner, Dispatcher	Snow removal	3,660
Cory Heimensen, Husband of Heather Heimensen, Crime Victim Witness Coordinator	Rent (Veterans Affairs)	1,800

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Todd's True Value do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Deep Clean Inc., Scotty's Paint & Body and C & A Snow Removal do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding. The transactions with Cory Heimensen do not appear to represent conflicts of interest due to the Veterans Affairs director is employed by Cory Heimensen and conducts Veterans Affairs business at Mr. Heimensen's office.

- 11-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 11-6 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not.
- 11-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 11-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- 11-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the “Findings Related to the Financial Statements – Internal Control Deficiencies” for reportable conditions that relate to the Extension or could improve the Extension’s internal control.

The Extension has adopted a policy where full time employees can get up to \$2,000 annually towards health insurance but does not authorize any medical spending plan reimbursements. The Extension actually allows for employees to get up to the \$2,000 maximum by using a combination of health insurance premiums and medical spending plan reimbursements.

Recommendations – The Extension should ensure that personnel policies and actual procedures being followed correspond. The Extension needs to approve a formal flex medical spending plan if plans are to continue the current policy.

Response – We will implement your recommendations.

Conclusion – Response accepted.

- 11-10 Internal Revenue Service Reporting Compliance – The County did not report on employees’ W-2s the non-cash taxable fringe benefit for any personal use, including commuting, of County provided vehicles that do not qualify as non-personal use vehicles and cell phones in accordance with Internal Revenue Service standards.

Recommendation – The County should be determining the actual value of these fringe benefits for each employee and include this taxable value on the employee’s W-2 income.

Response – We will evaluate this compliance issue.

Conclusion – Response accepted. The County should comply with the Internal Revenue Service Code.

- 11-11 Dispatchers/Jailers – The County is treating the individuals who perform dispatch services at the jail as jailers for overtime payment purposes due to the combination dispatch/jailer services performed.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Recommendation – The County needs to consult with the County Attorney as to the County’s compliance with the Fair Labor Standards Act in relation to overtime pay for individuals who perform a combination of dispatch/jailer services.

Response – Effective July 1, 2011, we have corrected our payroll procedures for dispatchers to be in compliance with the Fair Labor Standards Act.

Conclusion – Response accepted.

- 11-12 Compensation Board Minutes – The Compensation Board minutes were not signed by any member of the Board and there was no approval of the prior meeting’s minutes.

Recommendation – The Compensation Board minutes should be signed by the appropriate members to attest to the accuracy of the minutes and need to indicate approval of the prior meeting’s minutes. Also, the vote of each member should be identifiable in accordance with Chapter 21 of the Code of Iowa.

Response – We will attempt to have each Board comply with your recommendation.

Conclusion – Response accepted.

- 11-13 Emergency Management and E911 Board Minutes – The Emergency Management and E911 Board minutes do not always report in the minutes that claims issued since the last meeting were approved and that the prior minutes are proper as printed. Additionally, when claims are approved in the minutes, the listing of the claims approved is not a part of the minutes to verify accuracy and completion.

Recommendation – The Emergency Management and E911 Board minutes should document formal approval of all paid claims and the prior meeting’s minutes should be approved in the text of the minutes at the next meeting to verify accuracy of the minutes.

Response – We will attempt to have the Boards comply with your recommendations.

Conclusion – Response accepted.

- 11-14 E911 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the E911 Surcharge Fund.

Recommendation – The budget should have been amended in accordance with the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The County will monitor the disbursements and have the E911 Board amend the budget as needed in accordance with the Code of Iowa in the future.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Conclusion – Response accepted.

- 11-15 TIF Certification – The Auditor’s Office is responsible for monitoring TIF development agreements. However, we noted one company which is not submitting the semi-annual certification documentation demonstrating that all covenants are being performed in compliance with the TIF development agreement.

Recommendation – The County should implement procedures to ensure that all requirements of the TIF development agreements are being met.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- 11-16 Deficit Fund Balance – There was a deficit fund balance of \$5,056 found in the Assessment – Special Appraisers Fund from November 30, 2010 until December 6, 2010 which is in violation of Iowa Code 331.476.

Recommendation – The County Assessor should implement procedures to monitor fund balances in order to avoid deficit fund balances.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- 11-17 Interest Income Allocations – Interest income earned in the Revolving Loans-Development Projects Fund of \$325 during the fiscal year ended June 30, 2011 was not properly allocated to the General Fund in accordance with Iowa Code 12C.

Recommendation – The County needs to transfer the fiscal year 2011 interest earned in the Revolving Loans-Development Projects Fund into the General Fund, and implement procedures to ensure the interest is appropriately allocated to the General Fund in future years.

Response – We will make the transfer for the 2011 interest as well as ensure that interest is allocated as required by the Code of Iowa in all subsequent fiscal years.

Conclusion – Response accepted.

- 11-18 Sheriffs Asset Forfeiture Fund – The County is required to deposit 90% of forfeited property into the Sheriffs Asset Forfeiture Fund to be specifically used for investigations. We noted

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

that this portion of the forfeited property was being held at the Sheriff's office in the form of cash instead of being deposited into the Sheriffs Asset Forfeiture Fund.

Recommendation – The County, particularly the County Attorney and Sheriff's offices, should implement procedures to ensure that forfeited assets are properly accounted for and timely deposited to the Sheriff's Asset Forfeiture Fund.

Response – We will work on implementing your recommendation.

Conclusion – Response accepted.

Lyon County

Staff

This audit was performed by:

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